

Message Text

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ACTION INR-07

INFO OCT-01 EUR-12 CIAE-00 DODE-00 PM-03 H-02 L-02 NSAE-00

NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05

COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03 CIEP-01

LAB-04 SIL-01 OMB-01 ACDA-05 BIB-01 ISO-00 IO-10 /100 W

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R 170800Z APR 75

FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC 2419

INFO AMEMBASSY BERLIN

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMCONSUL MUNICH

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

C O N F I D E N T I A L BUCHAREST 1664

E.O. 11652: GDS

TAGS: EEWT, EFIN, RO, UR

SUBJ: POSSIBLE SOVIET MOVE TO SLOW EXTENSION OF US BANK

CREDITS TO ROMANIA

REF: A) WARSAW 354 (JAN 17, 1974) B) STATE 80904

1. SUMMARY. TWO FACTORS WHICH MIGHT IMPEDE FUTURE FLOW OF U.S. COMMERCIAL BANK CREDITS TO ROMANIA CITED BY VISITING AMERICAN BANKER. MORE SIGNIFICATN OF TWO WAS STATEMENT ATTRIBUTED TO WELL-PLACED SOVIET FINANCIAL CONTACT THAT USSR COULD NOT BE CONSIDERED ULTIMATE GUARANTOR OF ROMANIAN INDEBTEDNESS. END SUMMARY.

2. IN DISCUSSION WITH EMBOFFS APRIL 15, CHARLES SCHMIDT, VP OF MORGAN GUARANTY, REVEALED HE RECENTLY INFORMED BY UNIDENTIFIED BUT PRESUMED RELIABLE SOVIET FINANCIAL SOURCE
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THAT USSR WOULD NOT BAIL ROMANIANS OUT IN EVENT GOR

BECAME OVEREXTENDED IN ITS OBLIGATIONS TO WESTERN BANKS. SCHMIDT STATED THIS WAS FIRST EXPLICIT SOVIET DISAVOWAL OF ITS ASSUMED PREPAREDNESS TO ASSIST ROMANIA IN EVENT OF FINANCIAL BIND. STATEMENT UNDERCUTS ASSUMPTION LONG-HELD BY MORGAN--AND ONE, SCHMIDT ASSERTED, SHARED BY MOST MAJOR NY BANKS--THAT SOVIETS WOULD STAND BEHIND ALL CEMA INDEBTEDNESS. WHILE ACKNOWLEDGING THAT ROMANIA HAD UNBLEMISHED PAYMENTS RECORD, SCHMIDT NONETHELESS STATED THAT LACK OF IMPLICIT SOVIET GUARANTEE WOULD PROMPT MORGAN TO ASSESS VERY CAREFULLY VOLUME OF FUTURE LENDING TO ROMANIA.

3. SECOND FACTOR WHICH SCHMIDT FELT COULD INFLUENCE AVAILABILITY OF US CREDIT WOULD BE POSSIBLE SHIFT IN ROMANIAN BORROWING PRACTICES. SCHMIDT REPORTED THAT BANK OF FOREIGN TRADE HAD RECENTLY BROACHED WITH HIM PROPOSAL OF DIRECT BANK-TO-BANK LENDING (3 YEAR REVOLVING CREDIT WITH PURPOSES OF LOAN UNSPECIFIED). THIS WOULD REPRESENT DEPARTURE FROM CURRENT POLICY IN WHICH BFT ACTS AS GUARANTOR FOR FTOS WHICH ARE PRIME BORROWERS. FOR MORGAN, WHICH VIES WITH MANUFACTURERS HANOVER AS PRINCIPAL US SOURCE OF COMMERCIAL CREDIT FOR ROMANIA, DIRECT BFT BORROWING WOULD QUICKLY RESULT IN ROMANIA'S BORROWING FROM MORGAN RUNNING UP AGAINST LEGAL LENDING LIMITS, EVEN UNDER LIBERAL INTERPRETATION OF MORGAN'S GENERAL COUNSEL.

4. COMMENT: ONE SOVIET COMMENT TO ONE US BANKER DOES NOT, OF COURSE, REPRESENT CAMPAIGN TO DENY ROMANIANS FRUITS OF PENDING MFN. SCHMIDT'S SOVIET CONTACT MAY SIMPLY HAVE BEEN MAKING EFFORT TO DISABUSE MORGAN OF ITS PERHAPS LONG-OUTDATED CONCEPTION OF USSR AS GOR'S FINANCIAL GUARANTOR. FACT, HOWEVER, THAT POINT BEING MADE TO MORGAN NOW, SIMULTANEOUS WITH SIGNING OF TRADE AGREEMENT, SUGGESTS THAT SOVIET REPOSE MAY BE SOMETHING MORE THAN COINCIDENCE. INDEED, STATEMENT MAY BE INTERPRETED AS LOGICAL EXTENSION OF KOSYGIN'S COMMENTS LAST YEAR TO PULLMAN PRESIDENT CASEY (REFTEL) THAT U.S. FIRMS' COOPERATION WITH ROMANIA JEOPARDIZED THEIR PROSPECTS IN USSR. IT MAY ALSO BE TIED IN WITH OTHER SIGNS OF SOVIET-ROMANIAN IDEOLOGICAL FRICTION SUMMARIZED IN REFTEL B. WE DO NOT, THEREFORE, DISCOUNT POSSIBILITY THAT STATEMENT TO SCHMIDT MAY BE PART OF LARGER SOVIET DESIGN TO EXERT ECONOMIC

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PRESSURE ON GOR AND WOULD APPRECIATE ANY CORROBORATIO
OR COUNTER-INDICATIONS FROM OTHER POSTS.
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